Federal Lifeline Program: Modernization and Reform

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On March 31, 2016, the Federal Communications Commission (FCC) adopted an order to expand the scope of the Federal Lifeline program to provide subsidies for broadband adoption; enhance and expand mechanisms to streamline program administration; and further combat program fraud, waste, and abuse. Citing the need to close the digital divide, the division between those who use and have access to broadband versus those who do not, the FCC voted (3-2) to extend Lifeline program subsidies to cover high-speed broadband access. The Lifeline program is a needs-based program which traditionally supported access to either fixed or mobile voice services in low income households. The program will now be expanded to support mobile and fixed broadband Internet access services on a stand-alone basis, or with a bundled voice service.

Background

The FCC established the Federal Lifeline program in 1985 in response to concerns over the negative impact that the shifting of costs, as a result of the 1984 divestiture of AT&T and the growth of competition in telecommunications markets, would have on consumers' telephone charges. These changes resulted in the subsequent restructuring of telephone industry costs and rate structure and a shifting of costs directly to consumers in the form of residential subscriber line charges. In the wake of these concerns, the FCC established the Lifeline program to prevent consumer drop-off and preserve the universal service goals of the 1934 Communications Act. The Federal Lifeline program is one of four programs supported under the Universal Service Fund (USF) and is designed to provide support to assist eligible households to pay the reoccurring monthly service charges associated with connection to the telecommunications network. Households must meet eligibility criteria, demonstrated by either having an income that is at or below 135% of the federal poverty guidelines or enrollment in certain needs-based programs (e.g., Medicaid). Support comes in the form of a $9.25 per month subsidy per subscriber ($34.25 for qualifying subscribers living on tribal lands) which is given not to the subscriber, but to the selected telecommunications provider.

As the concept of telecommunications access has evolved, so has the Lifeline program. As initially implemented the program covered the minutes of use of the voice telecommunications network for one fixed line in an eligible household. In 2005, the FCC expanded the scope of the Lifeline program by

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giving subscribers the choice to select either a fixed line option or a mobile/wireless option. Requirements that the program only cover one line per eligible household and network access (i.e., minutes of use), not the physical device (i.e., the telephone instrument), remained. In the past decade whether the Lifeline program should once again "evolve" to become a vehicle to help support access to broadband became a major policy debate. Data showing the growing discrepancy in broadband adoption rates between low income and high income households, and the growing economic, social, and civic ramifications of the lack of access, prompted the FCC to incorporate broadband access into the Lifeline program. For example, according to the Pew Research Center's Home Broadband 2015 Survey among non-broadband adopters, 33% cited the monthly subscription cost of service as the main reason they lacked broadband service at home. Further, of those adults with incomes of less than $20,000, 41% had home broadband service versus 90% for adults with incomes of more than $100,000.

The 2016 Lifeline Order

The basic goals of the Order, according to the FCC, are to modernize the Lifeline program to provide assistance to eligible low income consumers to connect to broadband service and to ensure that the monies spent are used efficiently and not subject to fraud, waste, and abuse. Some of the major provisions in the Order include expanding the program to provide support for stand-alone mobile or fixed broadband, as well as combined bundles of voice and broadband; setting minimum broadband and mobile voice standards for the packages of services offered by providers; adding a streamlined national provider designation process for a new category of national program providers; phasing down and eventually eliminating support, in most cases, for stand-alone voice service; establishing a non-binding yearly funding ceiling of $2.25 billion, indexed to inflation; narrowing the list of federal programs that may be used to validate program eligibility; establishing an independent National Eligibility Verifier to confirm subscriber eligibility; and increasing the amount and public publication of program data.

These provisions will become effective after publication in the *Federal Register*.

Congressional Role

Debate over the scope of and the need for the Lifeline program has followed the program since its inception. There are numerous bills pending in the 114th Congress that would have a direct impact on the Lifeline program. These proposals range from those that would expand the program to cover broadband, set a fixed budget for the program, limit the program to fixed-voice telephone service, or eliminate the program altogether. The announced expansion of the program has once again brought the program under additional scrutiny.

The policy debate over the design and expansion of the Lifeline program has continued with the release of the 2016 Lifeline Order. Among the issues that have been raised are:

- the impact that minimum broadband and voice standards may have on the ability of providers to offer services within the $9.25 per month subsidy and such standards' potential for the need for subscriber co-pays;
- whether a firm budget cap should be established consistent with the other USF programs;
- the impact that a nationwide provider designation process, and the subsequent new category of non-state certified nationwide providers, could have on the role of state public utility commissions, state-wide universal fund programs and the potential for program abuse;
- the impact that the phase out of support for stand-alone voice services may have on current program subscribers; and
- the ramifications of shifting the subscriber verification eligibility from the provider to a national third party.

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